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ACTION WHA-00

INFO	LOG-00	MFA-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00
	DINT-00	DODE-00	PERC-00	SRPP-00	DS-00	EB-00	EXIM-01
	E-00	VC-00	FRB-00	H-01	TEDE-00	INR-00	ITC-01
	L-00	VCE-00	AC-01	NSAE-00	OES-00	OMB-01	OPIC-01
	PA-00	PM-00	PRS-00	ACE-00	P-00	SP-00	IRM-00
	SSO-00	STR-00	TRSE-00	USIE-00	ASDS-00	EPAE-00	PMB-00
	DSCC-00	PRM-00	DRL-02	G-00	NFAT-00	SAS-00	/009W

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O 082052Z JAN 03  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC IMMEDIATE 9471  
INFO DEPT OF COMMERCE WASHDC PRIORITY  
DEPT OF ENERGY WASHDC PRIORITY  
NSC WASHDC PRIORITY  
OPEC COLLECTIVE  
AMEMBASSY BOGOTA  
AMEMBASSY BRASILIA  
AMEMBASSY LA PAZ  
AMEMBASSY LIMA  
AMEMBASSY MEXICO  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY QUITO  
AMEMBASSY SANTIAGO

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NSC FOR LLORENS

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ENERGY FOR D.PHUMPHREY, A.LOCKWOOD, M.BILLIG, AND B.MARCOIS  
STATE PASS USAID FOR DCHA/OTI - R.ULLRICH AND R.PORTER

E.O. 12958: DECL: 01/06/2013  
TAGS: EPET, PGOV, ASEC, VE  
SUBJECT: VENEZUELAN ENERGY UNDATE: JANUARY 8, 2003

REF: CARACAS 51

CLASSIFIED BY: AMBASSADOR CHARLES S. SHAPIRO, REASONS 1.5 (B) AND (D)

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SUMMARY  
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1. (C) ALTHOUGH A LARGE DISCREPANCY STILL EXISTS BETWEEN GOV CLAIMS FOR OIL PRODUCTION AND THOSE OF THE PDVSA OPPOSITION, IT IS CLEAR THE GOV IS HAVING SOME SUCCESS AND PRODUCTION IS INCREASING. ANNOUNCEMENTS OF THE FIRING OF HUNDREDS MORE PDVSA EMPLOYEES HAVE APPEARED IN THE PAST WEEK. THE MAJORITY OF PDVSA,S OPERATING EXPLORATION AND PRODUCTION TEAMS IN CARACAS AND THE WESTERN PRODUCTION AREA (MARACAIBO) HAVE NOW BEEN FIRED AS WELL AS PERSONNEL FROM THE PARAGUANA REFINING COMPLEX AND PDV MARINA. IT IS LIKELY THAT OTHER PDVSA AFFILIATES, SUCH AS PDVSA GAS, WILL ALSO BE HIT WITH PINK SLIPS. THE PROPOSED COMPANY RESTRUCTURING ANNOUNCED BY MINISTER OF ENERGY AND MINES RAMIREZ WILL BE THE SECOND IN SIX YEARS. END SUMMARY.

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OIL PRODUCTION

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2. (C) SENIOR GOV OFFICIALS (MOST NOTABLY, PRESIDENT CHAVEZ IN HIS JANUARY 5 AND 6 TELEVISION APPEARANCES) CONTINUE TO CLAIM THAT CURRENT OIL PRODUCTION IS IN THE RANGE OF 800,000 TO 1.2 MILLION B/D. THE PDVSA OPPOSITION GROUP "GENTE DE PETROLEO" (PETROLEUM PEOPLE), INFORMED ECONOFF JANUARY 8 THAT IT BELIEVES NATIONAL PRODUCTION IS CURRENTLY APPROXIMATELY 300,000 B/D (A 68 PERCENT INCREASE OVER ITS JANUARY 3 ASSESSMENT OF 173,000 B/D). "GENTE DE PETROLEO" ALSO ACKNOWLEDGES THAT 84 PERCENT OF VENEZUELA,S NATURAL GAS PRODUCTION IS SHUT IN VERSUS THE HIGH OF 93 PERCENT IT CLAIMED EARLIER IN THE STRIKE.

3. (C) FOLLOWING A JANUARY 8 CONVERSATION WITH [REDACTED]

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[REDACTED] ECONOFF BELIEVES CRUDE PRODUCTION IS SOMEWHAT HIGHER THAN 300,000 B/D. [REDACTED] STATED THAT HE BELIEVES PRODUCTION IN THE WEST IS NOW IN THE RANGE OF 200,000-220,000 B/D. CARACAS DAILY TAL CUAL JANUARY 7 PUT PRODUCTION IN THE EAST (MONAGAS) AT APPROXIMATELY 100,000 B/D AND PRODUCTION FROM BARINAS IN THE SOUTH AT 8,000 B/D. IF NATURAL GAS PRODUCTION IS CLIMBING, CRUDE PRODUCTION IS ALSO LIKELY TO BE INCREASING. A U.S. INDUSTRY EXECUTIVE ALSO INFORMED THE AMBASSADOR THAT TWO WORK OVER RIGS ARE NOW WORKING IN LAKE MARACAIBO AND ALL BUT TWO ARE NOW OPERATING IN THE EAST. IN SUM, WE BELIEVE THAT PRODUCTION MAY NOW BE IN THE RANGE OF 350,000 B/D AND CLIMBING. [REDACTED] CONCURRED THAT THE CURRENT PDVSA MANAGEMENT IS OPENING THE "EASY WELLS" BUT ADDED THAT AT SOME POINT "KNOW HOW" AND FAMILIARIZATION WITH THE FIELDS

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WILL TELL. HE, AND MOST OTHER INDUSTRY SOURCES, DO NOT  
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BELIEVE PDVSA CAN RETURN TO ANYTHING LIKE THE FORMER  
PRODUCTION LEVELS UNLESS THE STRIKING WORKERS RETURN TO THE  
JOB.

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REFINING  
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4. (C) AS REPORTED REFTTEL, THE GOV CLAIMED THAT THE DENSE  
SMOKE AND FIRE SEEN AT THE EL PALITO REFINERY ON JANUARY 7  
RESULTED FROM A TECHNICAL FAILURE WHICH FORCED THOSE TRYING  
TO BRING THE REFINERY BACK INTO OPERATION TO DUMP CRUDE INTO  
A RESERVOIR WHERE IT BURNED. ALTHOUGH THE GOV HAS NOT  
ALLOWED THE PRESS TO ENTER THE REFINERY COMPLEX, SPOKESMEN  
FROM THE PDVSA OPPOSITION CONTINUE TO MAINTAIN THAT, AT  
LEAST, THERE WAS A FIRE IN THE REFINERY,S VACUUM UNIT.  
OTHER DAMAGE IS ALLEGED TO HAVE TAKEN PLACE IN THE  
DISTILLATION PLANT. THERE ARE ALSO REPORTS OF INJURIES TO  
REFINERY WORKERS.

5. (C) THE VENEZUELAN MEDIA CARRIED PICTURES ON JANUARY 7 NOT  
ONLY OF THE SMOKE POURING OUT OF EL PALITO BUT ALSO OF OIL  
SPILLS IN LAKE MARACAIBO AND ANACO. GOV SPOKESMEN HAVE  
RESPONDED THAT THE REPORTS WERE EXAGGERATED. JUAN

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ACTION WHA-00

INFO	LOG-00	MFA-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00
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C O N F I D E N T I A L SECTION 02 OF 02 CARACAS 000070

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FERNANDEZ, PRESIDENT OF "GENTE DE PETROLEO" ALLEGES THAT  
THERE HAVE BEEN 30 SUCH INCIDENTS SINCE THE BEGINNING OF THE  
STRIKE.

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PDVSA SHAKEUP  
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6. (C) ANNOUNCEMENTS CONCERNING THE NUMBER OF PDVSA EMPLOYEES  
BEING FIRED HAVE PICKED UP SINCE THE BEGINNING OF THE YEAR.  
NEW PDVSA GENERAL MANAGER FOR THE WESTERN DIVISION, FELIX  
RODRIGUEZ, ANNOUNCED THE FIRING OF 204 EMPLOYEES FROM THAT  
DIVISION AS OF JANUARY 2. IVAN HERNANDEZ, RECALLED FROM  
RETIREMENT TO RUN THE PARAGUANA REFINERY COMPLEX, ANNOUNCED  
THE FIRING OF 36 ADDITIONAL EMPLOYEES ALSO AS OF JANUARY 2.  
ALTHOUGH WE HAVE NOT YET OBTAINED COPIES OF THE LISTS,  
NUMBERS OF PEQUIVEN (THE PDVSA CHEMICAL AFFILIATE) EMPLOYEES  
AT THE EL TABLAZO FACILITIES IN MARACAIBO WERE ALSO FIRED  
JANUARY 4-5. SEVERAL HUNDRED MORE FIRINGS, REPORTEDLY FROM  
WITHIN PDVSA,S EXPLORATION AND PRODUCTION DIVISION, HAVE  
BEEN ANNOUNCED IN CARACAS. THE MEDIA REPORTS ON JANUARY 8  
THAT PDV MARINE FIRED 254 EMPLOYEES, INCLUDING ADMINISTRATIVE  
PERSONNEL AND MERCHANT MARINE OFFICIALS. THESE REPORTEDLY  
INCLUDE THE CREWS OF THE PDV MARINE TANKERS PILIN LEON,

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MARITZA SAYALERO, BARBARA PALACIOS, SUSANA DUIJM, YAVIRE AND MORUY.

7. (C) [ ] NOTED TO ECONOFF THAT THE FIRINGS HAVE ALREADY TOUCHED THE MAJORITY OF PDVSA,S OPERATING EXPLORATION AND PRODUCTION TEAM. IT IS LIKELY THAT THEY WILL EVENTUALLY AFFECT ALL PDVSA FUNCTIONS, INCLUDING PDVSA GAS WHICH SO FAR HAS LARGELY BEEN MISSED. [ ] ACKNOWLEDGED THAT LOWER LEVEL WORKERS ARE CONCERNED ABOUT THE LOSS OF COMPANY HOUSING, ACCESS TO MEDICAL CARE, ETC. AND SO FEELING PRESSURE TO RETURN TO THE JOB. ECONOFF HAS ALSO BEEN TOLD THAT SOME WORKERS, SUCH AS REFINERY OPERATORS, ARE BEING OFFERED BONUSES IN THE RANGE OF 20 MILLION BOLIVARES (APPROXIMATELY \$13,000) TO RETURN TO WORK.

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8. (C) [ ] ALSO NOTED THAT SENIOR PDVSA PERSONNEL DID NOT KNOW HOW MINISTER OF ENERGY AND MINES RAFAEL RAMIREZ HAD COME UP WITH HIS PLAN TO RESTRUCTURE PDVSA INTO TWO DIVISIONS SO QUICKLY. ACCORDING TO [ ] AND OTHER NOW FORMER PDVSA OFFICIALS, THE PLAN IS SIMPLY RETALIATION AGAINST THE CARACAS WORKERS WHO HAVE LED THE STRIKE. IF CARRIED OUT, THIS RESTRUCTURING WILL BE THE SECOND IN SIX YEARS. IN 1997, LUIS GIUSTI INTRODUCED A PLAN DESIGNED BY MCKINSEY WHICH MERGED THE OPERATIONS OF THE THREE PDVSA OPERATING AFFILIATES FORMED AFTER THE NATIONALIZATION. THIS PLAN ALSO ENVISIONED THAT COSTS WOULD BE CUT AND EMPLOYMENT REDUCED. WITH THE SUBSEQUENT ELECTION OF PRESIDENT CHAVEZ, THE PLANS TO PURSUE SENSIBLE PERSONNEL CUTBACKS WERE STOPPED.

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COMMENT  
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